Procurement and Development Effectiveness
A LITERATURE REVIEW COMMISSIONED BY EURODAD
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About Eurodad

EURODAD (the European Network on Debt and Development) is a network of 59 non-governmental organisations from 18 European countries who work together on issues related to debt, development finance and poverty reduction. The Eurodad network offers a platform for exploring issues, collecting intelligence and ideas, and undertaking collective advocacy.

Eurodad’s aims are to:

• Push for development policies that support pro-poor and democratically defined sustainable development strategies
• Support the empowerment of Southern people to chart their own path towards development and ending poverty.
• Seek a lasting and sustainable solution to the debt crisis, promote appropriate development financing, and a stable international financial system conducive to development.

More information

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Acknowledgements

Literature review written and researched by Juanita Olaya, with comments from Nuria Molina and Bodo Ellmers, Eurodad.
S
ince the beginning of this decade, Northern and Southern country
governments, multilateral agencies,
and civil society have been actively
contributing to developing and beginning to
implement crucial reforms to make aid more
effective for poverty reduction. However,
there are certain areas where the aid
effectiveness agenda has severe
shortcomings and where implementation is
sorely lagging behind. Eurodad identified
public procurement policies and practices by
developing country governments and aid
agencies as a key area in which more
progress is needed in order to improve the
effectiveness of development aid.

In March 2005 in Paris, representatives from
over one hundred governments and
multilateral agencies committed their
countries and organisations to continuing to
increase efforts in harmonisation, alignment
and managing aid to produce results with a
set of monitorable actions and indicators.

Three years later in the Accra High Level
Forum, governments committed to
accelerating progress on crucial issues to
improve the effectiveness of aid such as
predictability, conditionality, aid untying,
and the use of country systems. Eurodad’s
and other civil society research in recent
years unveils the limited progress made by
rich country governments in implementing the
commitments made.

While Eurodad and other civil society
organisations continue to monitor the
implementation of agreements made in
Accra, civil society is increasingly concerned
with moving the debate towards the final
goal of the aid effectiveness agenda: the
role of aid in supporting meaningful
development strategies that enable
developing countries to move on from aid
dependency.

The use of country systems is fundamental to
increasing developing country ownership
and building local capacity. This is why
Eurodad has chosen to focus on this area as
it launches its new research project to inform
civil society positions ahead of the upcoming
High Level Forum that will take place in
Seoul in 2011.

Public procurement accounts for up to 40
percent of GDP in some developing
countries. Besides being an important share
of these countries’ economies, procurement
policies are an important instrument to
achieve socioeconomic goals such as
economic development, poverty eradication
and social equity. Procurement policies are
also an important policy tool in the hands of
governments to boost the national socio-
economic fabric as part of their
development strategies to gradually reduce
aid dependence.
In aid dependent countries in particular, a considerable share of public procurement is financed through Official Development Assistance (ODA) injected into national budgets as budget support. The use of developing countries‘ own procurement systems was a donor commitment included under international agreements on aid effectiveness including the Paris Declaration and the Accra Agenda for Action. A second commitment was to untie aid to a maximum extent, aiming to increase the efficiency and development effectiveness of aid agencies‘ own procurement.

Eurodad is now starting a new major research project which will mirror the successful “Turning the Tables” report published ahead of the High Level Forum in Accra and which was very well received by government officials and civil society organisations. The research will comprise country case studies and a synthesis report whose findings will be used in Eurodad’s activities towards the Fourth High-Level Forum on Aid Effectiveness in 2011. This literature review is a part of this project. Its main purpose is to map and review the relevant literature on procurement as a development policy tool and to inform the case study work. But readers who are interested in the developmental and socioeconomic implications of procurement by aid agencies and recipient country governments might also find it a useful stand-alone source of information for their work.

The new emphasis on using country systems as a central part of the current aid effectiveness reform agenda has led to a bulk of new studies mainly produced by the World Bank and the OECD informing the positions of donor countries. Most of this literature sees procurement as a neutral act of purchase, and focuses on the quality of procurement systems in order to increase value for money and ensure that aid monies are spent on the intended purposes. For most developing country governments, however, procurement has always been considered as an economic policy tool with which they can promote industrial development by channelling public finances to their own countries’ infant industries. Civil society organisations have traditionally focused on the use of public procurement as a means by which public authorities can promote socially and environmentally friendly policies. According to these views, governments are obliged to promote and protect social and gender equity, core labour standards, decent work and environmental sustainability when procuring works, supplies or services. In developing countries, the potential is huge since on average procurement accounts for 70% of public spending. But the developmental and socioeconomic implications have largely been neglected by recent analysis by the World Bank and the OECD. Eurodad’s work intends to fill at least a part of this gap.

Bodo Ellmers, EURODAD.
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**Introduction**

This document has been commissioned by Eurodad as part of the project “Assessing and improving aid effectiveness implementation through civil society research and advocacy”. Its purpose is to provide a literature review on development-related procurement policies and practices. The aim of the review is to advise on how to identify the contribution and potential of procurement policies and practices for development effectiveness. The document aims to be a tool for ongoing research.

Within the framework of procurement and development, the contents of this review include literature references to public procurement theory and also policies and practices of developing country governments, aid agencies, international organisations and, when relevant, literature dealing with the implications of the use of procurement as a development tool for relevant international agreements (e.g. WTO, OECD).

The documents, references and literature included are varied. They cover academic works from different disciplines (economics, political economy, public policy, law) but also relevant grey literature from multilateral institutions (e.g. OECD, World Bank, UN agencies), bilateral aid agencies and NGOs.

On the topic of procurement and development one persistent issue in the literature is the absence of empirical assessments of its impact. The case studies currently undertaken by Eurodad on the procurement policies and practices of aid agencies as well as recipient country governments which this literature review is supposed to inform therefore seem to fill a very pertinent gap.

The document is structured in two parts. The first focuses on literature that deals with the issue from a more theoretical or policy perspective, looking at the main issues and any questions that arise: the use of procurement as a policy tool, and the implementation of such policies. It also includes a section on the interaction between this topic and other specialized topics like trade, aid effectiveness (tied aid and/or the use of country procurement systems) and procurement reform. In this part, the comments or general issues are accompanied by shadowed boxes that indicate the respective literature; in some cases a description of the book or paper has been included and in most cases these have been taken from the abstracts or the texts themselves. The second part focuses on policies and practices of selected developing countries and aid agencies. The selection has taken into consideration the focus described in the terms of reference for
the case studies that are part of the research effort Eurodad is undertaking in the area of procurement. The documents in this section include policy guidelines but also reports and evaluations and other third party assessments when available. Finally, an Annex incorporates the literature referred to previously, arranged in alphabetical order.

Finally a word on the information available. The information by country and aid agencies is scattered and uneven. Countries such as Ghana, Mozambique and Indonesia have received much more attention in the literature than Ecuador, Nepal or Liberia. Also, because the EU has had –internally – a lot of experience in this matter there are far more resources and literature with a focus on the EU than on elsewhere. A more in depth look at developing countries is marked by this EU focus. The references that are most relevant to the focus of this document have been included here, but there are also other individual country studies less pertinent to this document, but that may still be deemed relevant at some point. The use of procurement as a policy tool for development is a broad topic and touches on other topics (like aid effectiveness, trade liberalisation etc) that are also extensive. Again, basic documents and references on these topics have not been included, having chosen to instead to focus on documents more directly relevant to procurement. In this sense, this review is not exhaustive.
PART 1.
LITERATURE ON THEORY AND POLICY ON PROCUREMENT IN DEVELOPMENT

This first part includes references to the more theoretical and public policy oriented literature on the subject of procurement and development.

I. GENERAL BIBLIOGRAPHY ON PROCUREMENT AS A DEVELOPMENT TOOL

Below are some references to the main authors and pieces of work in procurement and development literature. While the topic of procurement inevitably has a legal angle, these authors provide a focus that includes more of a public policy angle. These references are relevant across the different issues.


“Buying Social Justice analyzes how governments in developed and developing countries use their contracting power in order to advance social equality and reduce discrimination, and argues that this approach is an entirely legitimate and efficient means of achieving social justice. The book looks at the different experiences of a range of countries, including the USA, the UK, and South Africa. It also examines the impact of international and regional regulation of the international economy, and questions the extent to which the issue of procurement policy be regulated at the national, European or international levels. The role of EC and WTO law in mediating the tensions between the economic function of procurement and the social uses of procurement is discussed, and the outcomes of controversies concerning the legitimacy of the integration of social values into procurement are analyzed.”


This is a paper in response to McCrudden’s book (McCrudden, 2007).


“In developing public procurement policy, governments are often concerned not only with value for money but also with promoting their social and environmental objectives. However, imposing social and environmental requirements makes it harder for some suppliers to participate in public procurement. EC law thus limits the ability of national governments to implement such policies. But how should the balance be struck between these trade concerns and the desire of national governments to use procurement as a policy tool? And should the EC even harness Member States’ procurement power to EC-wide objectives, such as green energy policy? Despite the new provisions included in the EC’s new (2004) procurement directives, important issues remain unresolved. This volume focuses on new issues in the field, notably the innovative provisions in the new directives, new academic thinking and areas neglected in the debate, such as the impact of EC law on the CSR policies of private utilities. Extensive introductory chapters, by leading specialists in the field, allow readers to understand the key principles and rules that govern this complex area. [The book] Provides detailed analysis of ‘grey areas’ of the law, allowing readers to assess the legal risks of pursuing different horizontal policies through procurement.”
Offers new thinking on important areas of EC procurement policy, enabling readers to keep up with the latest thinking in a controversial field.”


This has a more legal perspective but also deals with trade issues.


II. TAXONOMY OF THE ISSUES

In this section, I include an outline (with a relevant bibliography) of some of the most salient issues in the literature regarding the use of procurement as a development tool.

A. PROCUREMENT AS AN INSTRUMENT OF SOCIAL AND ECONOMIC POLICY

• Does not oppose market objectives (McCrudden, 2007)

or

• It squarely opposes market liberalisation needs (Literature on trade liberalisation, competition policy and WTO mainly).

On this second point of view, see for example:


“This article reviews and synthesises relevant literature and policy developments concerning the challenges involved in ensuring effective competition in public procurement markets.” (…) “…discusses two principal public policy tools through which competition can be maintained and enhanced in public procurement markets—international trade liberalisation and competition policy. While the article draws particularly on policy developments and experience in the United States and (to a lesser extent) Europe, an effort is made to illustrate the universality of the issues raised and their significance for developing as well as developed countries.”

Quoting McCrudden 2007, 73 footnotes not included, in regards to the extent of the GPA:

“Secondly, the various provisions of the Agreement relating to the provision of information to potential suppliers, contract awards, qualification of suppliers and other elements of the procurement process provide a framework that is intended to ensure transparent and non-discriminatory conditions of competition between suppliers, including both domestic and foreign suppliers. The need for such a framework of rules to ensure competition derives from the potentially overwhelming pressures that most governments face to limit competition and use procurement processes to benefit particular suppliers.”

However, the argument opposing the use of procurement as a policy tool is less common nowadays for various reasons:

• There is more agreement that the WTO and most regional trade agreements leave some policy space for non-discriminatory policies that have social and environmental objectives. (Arrowsmith 2009)

• When it comes to public procurement most OECD countries have long standing, domestic “buy local” policies. In addition the “last” fiscal crisis saw an increase in support of these policies as part of stimulus packages, particularly in the US.

• Others question the choice of policy tools: considering that other policy tools
can be made available to pursue the same economic and social objectives, why use procurement? Why would procurement be the favourite policy tool? (Dunoff 2009)

- Others warn about the use of the law as a mechanism: the effect of law is overestimated, laws alone do not achieve anything and it depends on how they are implemented (Arrowsmith 2009).

On the History of procurement as a policy instrument see:

- McCrudden 2007;

On procurement as a fiscal tool and also in the US experience:

- Catlaw, Thomas J. Socially Responsible Supply Management: Thinking Global in Local Government Purchasing during a Fiscal Crisis. Arizona State University. (no date)
  http://www.transformgov.org/files/whitewpaper/4c İnnovating_with_Socially_Responsible_Supply_Management_Tom_Catlaw.pdf

B. IMPLEMENTATION OF PROCUREMENT POLICIES

In this section I include references to literature that deals with basic implementation questions: Which policies can be promoted? How? By Whom?

1. Which policies can be promoted?

General Literature

- Arrowsmith and Kunzlik 2009;
- Steurer, Reinhard, Gerald Berger, Astrid Konrad, and Andre Martinuzzi. 2007. Sustainable Public Procurement in EU Member States: Overview of government initiatives and selected cases. Final Report to the EU High-Level Group on CSR, RIMAS -Research Institute for Managing Sustainability.

Specific Targets

Among the types of policy aims that can be targeted using public procurement as a tool are anti-discrimination or affirmative action policies (race and gender), environmental standards, employment policies and labour rights issues, economic growth and industrial development policies (SME support, recovery plans, diversification,
entrepreneurship promotion etc). Other policies can include the promotion of ethical standards, the support of people with disabilities and health and education policy. In this section I include references to some of them.

a. Anti-discrimination (race and gender) or affirmative action

For example: South Africa

- A legal challenge to a South African law designed to promote black economic empowerment is currently pending. The case brought to the International Centre for Settlement of Investment Disputes (ICSID) at the World Bank is as follows: Piero Foresti, Laura de Carli and others v. Republic of South Africa (ICSID Case No. ARB (AF)/07/1). Status updates on the case are available on the ICSID website. International Centre for Settlement of Investment Disputes, List of Pending Cases, http://icsid.worldbank.org/ICSID/FrontServlet.

b. Environmental standards


c. Employment policies, Labour rights and standards


d. Economic growth:

- Buy Local policies
- Special SME promotion policies
- Correcting market imperfections
- Promoting entrepreneurship
- Diversifying the local economy

- Rolfstam, Max and Leif Hommen (University of Lund) with Jakob Edler (Fraunhofer ISI, Karlsruhe) in
cooperation with Lena Tsipouri (University of Athens; CERES, Athens) John Rigby (PREST, Manchester).


e. Poverty reduction


2. How can they be promoted?

Policy Perspective

From a procurement point of view, there are three policy focuses or sources: the contract giver (host country), the donor or funding entity (including IFIs) and the home country, this is the country where foreign companies that would like to access government contracts in the host country are based or registered. The “map” of such possible policies can be described as follows:

Host country (contract giver)

In regards to their own companies and to foreign companies in its territory, using:

- Restrictive/selective tendering procedures
- Incentives to particular bidder/contractor characteristics
- Community contracting/Labour intensive preferences
- “Set asides” (US coined term)
- Debarment and other forms of sanctioning undesirable practices

Donor/Funding Entity

- In kind aid (procured)
- Tied aid (to be procured)
- Conditionality
- Their own procurement regulations
- Projects to support the local economy/social agenda in regards to procurement
- Debarment and other forms of sanctioning undesirable practices

Home country.

In regards to their own companies operating abroad (host territories) and to host based companies/providers (imports):

- Procurement Activism (The Massachusetts Burma law)
- Offsets
- Import preferences
- Donor policies (Development cooperation agencies)
- Project finance policies and support (ECAs, subsidies, etc)
- Debarment and other forms of sanctioning undesirable practices

Although one could “map” the issue in this way, most of the literature focuses on the host government dimension (national procurement policies and practices), much
less on the home and donor dimension and the latter, only indirectly through the tied-aid discussion. This is not necessarily problematic, although it does ignore certain contradictions that may arise, for example:

- Home countries may be very willing to establish restrictions on imports, and development cooperation policies to buy from “home” (including tied aid and aid conditionality) but less adamant to see restrictions to government procurement markets abroad for their own companies.
- It loses perspective as regards the range of policy tools (other than just procurement policy) that have the same economic and social objectives. There is little or no empirical analysis on:
  - The actual economic and social impact of these policies.
  - How procurement compares to other policy instruments in achieving social, economic and environmental goals.

According to (McCrudden 2007) procurement “linkages” through regulation have been of very little use outside the EC where it has been used actively. The only exceptions are the US, Canada, Malaysia and South Africa. This merits looking at literature from the EC as it is more abundant in regards to developing countries, in comparison with other regions (see for example Arrowsmith et al 2009).

**Governance and Procurement**

On the question of how development policies can best be promoted, the literature on governance (particularly on transparency and anti-corruption) should be taken into account. In particular, there is agreement that corruption affects development directly by diverting funds from projects and activities intended for public benefit into the private pockets of corrupt people. Also noted is that governance problems affect the effectiveness of otherwise well-meant and well-designed policies, including policies to use procurement for development. This is particularly true as public contracting (or procurement) is particularly sensitive to corruption and easily subject to abuse. In addition, many critiques of the use of procurement as a development tool start from the premise of its vulnerability to abuse.

Some of the more practical literature that discusses transparency, accountability and corruption in procurement:


In addition, the literature on Procurement Reform is increasingly concerned with other governance aspects of procurement that may affect its effectiveness and impact, including organizational arrangements, recommendations on process management and professionalization of procurement officials. However, this is mainly technical and “efficiency” driven literature, which exceeds the focus of this review.

**The use of sanctions**

Debarment (also known as blacklisting) is perhaps the most effective tool in the public procurement realm to sanction contractors’ misbehaviour. Debarment is the exclusion of individuals or organisations from contracting opportunities on specific
grounds. Debarment systems are however difficult to implement, face strong opposition from the private sector and are prone to abuse if they lack necessary transparency and accountability. The most common use of debarment systems is to exclude from public contracting opportunities companies or individuals who have committed a crime (fraud, corruption, economic crimes or terrorism) or where procurement has not taken place according to the laws and regulations. To my knowledge, there is no debarment system for breaching “other” obligations such as the fulfilment of environmental or social standards, although many government contracts do include contract termination clauses when the contractor doesn’t fulfil its obligations and these standards are often (or can be) included among them.

Debarment can occur nationally or internationally. In their legislations, most countries include provisions for the exclusion of contractors. Internationally, the leading system is that of the World Bank, which has been subject to revision during recent years.

The WB sanctioning system operates only in cases of fraud, corruption, coercion, collusion or obstruction (Sanctionable Misconduct) in connection with World Bank-financed projects. While there are still critiques of this system, it is by far the most developed at the international level and is adhered to by other IFIs and other organisations. For example, the Asian Development Bank, the IDB and the African Development Bank also have debarment systems and some have included automatic debarment once the WB has issued a debarment sanction.

On debarment systems and their transparency and accountability see Transparency International’s recommendations for the EU debarment system here:

http://www.transparency.org/global_priorities/public_contracting/key_sectors/specia_l_topics

See also:

Opinions on contractor vetting at MCC report from the Auditor General with focus on operations in Ghana, Armenia and Honduras


USAID’s regulations on exclusion of suppliers. They refer to the WB debarment system and to the US internal debarment system for exclusion of contractors. USAID ADS Chapter 313. Eligibility of Suppliers, Contractors, and Recipients.


One international instrument for enforcing standards such as these is the monitoring mechanism to the OECD Standards for Multinational Enterprises known as the OECD National Contact Point system (NCP).

It is available here:


In the past they have been called upon to be involved specifically in cases of labour rights and respect for environmental standards. The role of the NCP (see http://www.oecd.org/document/60/0,3343,en_2649_34889_1933116_1_1_1_1,00.html) as described by the OECD is as follows:

More information about the WB sanctioning system can be found here:
“The National Contact Point (NCP) is a government office responsible for encouraging observance of the Guidelines in a national context and for ensuring that the Guidelines are well known and understood by the national business community and by other interested parties. The NCP gathers information on national experiences with the Guidelines, handles enquiries, discusses matters related to the Guidelines and assists in solving problems that may arise in this connection. When issues arise concerning implementation of the Guidelines in relation to specific instances of business conduct, the NCP is expected to help resolve them. Generally, issues are dealt with by the NCP in whose country the issue has arisen. Any person or organisation may approach a National Contact Point to enquire about a matter related to the Guidelines.”

(See http://www.oecd.org/document/60/0,3343,3,en_2649_34889_1933116_1_1_1_1,00.html)

The NCPs are not meant to issue sanctions themselves but rather to try and address the issue. In extreme instances, where there has been a case of criminal conduct, the only option is to inform prosecution authorities.

The effectiveness of the NCPs has been questioned.

See for example:


3. Who can best do it?

This part looks into whether the State implements procurement for development policies as regulator or as market player, and questions whether such distinction is at all relevant.

- Distinction is valid and relevant: (McCrudden 2009), (Arrowsmith et al 2009, 2003)
  - If it acts as regulator it is bound by international law – has less policy room for manoeuvre (McCrudden 2007).
  - If it acts as market player it has more room to manoeuvre, policies can be inserted as contractual clauses (McCrudden 2007).
  - Can the State have different capacities and room to act if acting as one or the other? (Dunoff 2009).

- The Distinction is not relevant as the State remains the State even as a market player (Dunoff 2009).

(McCruden 2007)

(Arrowsmith 2003 and 1998)

(Dunoff 2009)

(Daimith T. 1979) Regulation by Contract the New Prerogative. Current Legal Problems 41. (Quoted by McCrudden, discussing the question of contracts as regulatory means)

C. PROCUREMENT TOOLS AND OTHER PARTICULAR AGENDAS

The question of procurement and development is mostly discussed in connection with other issues, in particular trade, (tied) aid and procurement reform. I include here references to literature that lie within these three areas. It is important to note, however, that the issue is also dealt with by other topics including corporate social responsibility issues, corruption, and human rights.
1. Procurement and Trade: the “linkage” discussion

Policy space

There are distinct views on whether trade commitments allow government policy space to use procurement as a social or economic policy instrument. Some view the restrictions as tight and valid and propose ways to go around them. Others argue that the provisions in trade agreements enable reasonable policies as long as they do not entail discrimination.

General references on this topic:


1) Some consider restrictions from international trade agreements as overstated: There is no real empirical analysis of the impact of trade agreements restrictions, but anecdotal evidence suggests they are blatantly ignored (Dunoff 2009).

On this point of view see for example:

(Dunoff 2009).


2) Others consider restrictions from international trade agreements to be underestimated: WTO sanctioning methods are effective. Selective procurement even if used for social, economic or policy considerations violates WTO agreements (McCrudden 2007).

But only for those who signed the GPA!

On this point of view see for example:


(Available under http://wbro.oxfordjournals.org/cgi/content/abstract/13/2/249)

(McCrudden 2007) – to the extent that he suggests using contracts as a bypass to policy restrictions in international trade agreements.

3) It is necessary to distinguish the WTO approach from the EC approach. WTO restricts (to a certain extent) procurement “linkages” while the EC promotes them (and requires them) but then regulates them in more detail, therefore taking away some regulatory flexibility. (Arrowsmith 2009)

On restrictions coming from WTO:

• To use discriminatory procurement in your own territory:

(Dunoff 2009, p 1046) “Under contemporary trade law, states generally are not permitted to facially discriminate against foreign goods, whether the state is acting as a regulator or as a purchaser.”… International trade law treats [...] measures such as those that promote environmental
protection, labour conditions, and other domestic social objectives, quite differently…"

a) WTO is concerned with non-discrimination against ‘like products’. One could argue that social, environmental or gender sensitive products are not “like products”.

b) Or that they may fall into GATT’s general exemptions under GATT XX (to protect public morals, animal, human or plant life and the conservation of resources etc.) – dispute panels have shown to be supportive of trade restrictive measures that protect human safety and natural resources.

See:

To use discriminatory procurement abroad:

c) It is more clear how WTO restrictions would apply to the regulating host country (contract giver) than to the country regulating goods and services located outside their territories (Dunoff p 1049)

d) The use of the Enabling Clause that authorizes developed states to extend preferential tariff treatment (General System of Preferences -GSP) to goods from developing countries is another possibility.

See:

The case for multilateral agreements on procurement is not clear and lacks basic evidence. Evennett proposes that a well implemented procurement reform could reduce state expenditure by about 10%, ultimately freeing up aid.

See:
- (Evennett and Hoekman 2005)

2. Procurement and Aid: the “conditionality” / tied aid discussion

The literature on aid effectiveness and on tied aid is by now quite voluminous. I have included here some of the references I have found most relevant in regards to the specific issue of procurement, but have not included more general references to the issue of aid effectiveness or tied aid.

See:
For some authors, donor policies on procurement reform have not been effective as:

- They do not rely on local realities but on meeting international standards
- Country Systems strategy is well targeted but not well managed; links to liberalisations goals in content and in the benchmarks it uses (OECD-DAC)
- Follow up on untied aid is not as significant

On this see for example:


3. Procurement Reform

The literature on Procurement reform is voluminous and has changed through time. At the beginning it focused more on legal arrangements and law reform; more recently it has focused on the management aspects of procurement and the tendency is to reinforce procurement as a business process within government. The selection here focuses on the points of view most relevant to the question of procurement and development from the perspective of aid agencies, donors and IFIs.


PEFA Secretariat. 2003. Assessing Public Expenditure, Procurement and Financial Accountability. (April). “This study,
prepared by the PEFA Secretariat, is intended to help facilitate the development of a more coordinated and effective approach to assessing and strengthening public expenditure, procurement and financial accountability systems”. Available under http://www.aidharmonization.org/download/229044/PEFA.pdf


❖ What evidence is there to inform reform strategies and international rule making? (Simon Evennett et al 2005, p 7, 8)

❖ “Available data on the relative importance of aid flows as share of government expenditures suggest that aid finances a significant share of total purchases of goods and services by developing country governments” (p. 7)

❖ Evidence indicates that state procurement markets of much of the developing world are NOT big enough to be attractive: e.g. on size, on how much USTR has complained about discriminatory practices (p 8).

(Evennett and Hoekman 2005)

D. EVALUATION OF PROCUREMENT POLICIES AND EMPIRICAL RESEARCH

Perhaps one of the greatest problems found in the literature is the absence of empirical analysis and data on the actual impact of procurement reform, and of procurement in development targets. This makes the argument of procurement as a policy tool more difficult than or at least just as difficult as its critique. The instruments to measure procurement systems, processes and practices focus a lot on institutional arrangements, compliance with certain laws and standards, fulfilment of certain criteria or identified best practices, but rarely on the actual impact of those changes and reforms in the markets and societies where they apply. They stop at the output level (reforms issued) and rarely deal with the outcomes. In this section I include some of the issues raised on this topic.

❖ In general, there seems to be a deficit of good empirical data and analysis on procurement reform, its performance or its impact on development or the empirical grounds for procurement policy decisions. Where they exist, most of them refer rather to trade policy related aspects

See for example:

❖ (Dunoff 2007)
❖ (Evennett and Hoekman 2005, p 10, 14)

❖ Of the few cross country assessments of procurement performance is the WEF’s Global Competitiveness Report. Question 12.5 of GCR 2009 asks: Do government procurement decisions foster technological innovation in your country? Up until 2001 previous reports used to include more questions on Procurement.

Assessment of Reforms, Policies and Practices

There are some works detailing practical assessments of impact and case analysis:

PART 2. POLICIES AND PRACTICES BY GOVERNMENTS AND AID AGENCIES (SELECTED)

This second part includes references to more practical and empirical literature including policy guidelines for procurement and development. In light of the terms of reference I have divided this part into two sections: one aiming at sources related to specific countries particularly those that are at the focus of Eurodad’s research effort. The second part focuses on aid agencies and MDBs.

I. SOME LITERATURE AND RESOURCES ON PROCUREMENT AND DEVELOPMENT BY COUNTRY (Selected Countries)

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<td>Liberia</td>
<td>• Main web site for the GEMAP (Governance and Economic Management Assistance Programme for Liberia) agreement: <a href="http://www.gemapliberia.org">www.gemapliberia.org</a>.</td>
</tr>
</tbody>
</table>

- UNDP’s ADR Report for Bangladesh¹

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**Nepal**


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¹ Note that the ADRs tend not to mention procurement. In contrast, some of the Aid Agencies’ reports, which aim at reporting under the aid effectiveness and harmonization agenda, do include data on procurement (see next section).
### Other Countries

#### South Africa:

#### Czech Republic:

#### Ghana:

#### Philippines:

#### Africa in General:

#### United States:
- Tschirley, D. 2008. Local and regional food aid procurement and the U.S. Farm Bill. Presentation at MSU Brown Bag, June 12, 2008 www.aec.msu.edu/fs2/outreach/LRP-June08BB-MSU.pdf - presentation; includes comparison with African countries

#### China:

#### Nigeria:
II. POLICIES AND PRACTICES BY AID AGENCIES

GENERAL

This section includes general documents that relate to the initiatives, tools and guidelines currently used by aid agencies.

PEFA Assessments

“The Public Expenditure and Financial Accountability (PEFA) Program, started in December, 2001, and has been jointly financed by the World Bank’s Development Grant Facility (DGF), the European Commission (EC), the UK’s Department for International Development (DFID), the Swiss State Secretariat for Economic Affairs (SECO), the Royal Norwegian Ministry of Foreign Affairs, the French Ministry of Foreign Affairs and the International Monetary Fund (IMF). A Steering Committee, comprising members of these agencies, is managing the Program. A Secretariat implements the PEFA work and is located in the World Bank offices in Washington, DC”.

See more information under http://www.pefa.org/about_pefamn.php

Public Financial Management Reform


Good overview of public financial reform issues including procurement reform and assessment.

OECD/DAC Joint Venture on Procurement


Good overview on advances, include information on procurement per agency in: Australia, Canada, Denmark, Norway and Switzerland.

• McDonald, Olivia. Government procurement, development and World Bank conditionalities..G-24 Policy Brief No. 20. (No date). The paper questions
the ability of the WB to use procurement for development. [http://www.g24.org/pbno20.pdf]

**Documents related to Aid Harmonization Efforts and the Joint Venture on Procurement**

**Master Procurement Documents**

“This Master Document for Procurement of Goods has been prepared by the Multilateral Development Banks and International Financing Institutions to be used as a model by these organizations for issuing new and better harmonized bidding documents for each individual institution. The document reflects what are considered “best practices,” and is intended to be followed, insofar as possible, while allowing for institutional and member country considerations.” (Preamble to all)

Additional note: the master documents tend to establish the absence of domestic preferences as the operating assumption (Section E-35)


**Harmonization Agenda and Activities**

(Harmonization Procurement). (No date). Power Point presentation with a broad overview on Harmonization procurement efforts, activities, initiatives and products. Available under:


**Strengthening Procurement Capacities in Developing Countries - Executive Summary Report.** 2003.


**Mainstreaming the Procurement Function into the Public Expenditure Policy and Effectiveness Dialogue.** 2003.

“The purpose of this note is to: • define what mainstreaming procurement actually means in the broader context of the current public expenditure effectiveness debate, understand why it is so important – the benefits from doing it well; the costs of poor procurement, discuss the main challenges in mainstreaming procurement, and develop a number of practical next steps aimed at developing ways to achieve this objective”. Document presented at the joint DAC – World Bank Roundtable held in Paris on January, 22-23, 2003. Available under [http://www.aidharmonization.org/download/213263/MAINSTREAMING_THE_PROCUREMENT_FUNCTION_INTO_THE_PUBLIC.pdf](http://www.aidharmonization.org/download/213263/MAINSTREAMING_THE_PROCUREMENT_FUNCTION_INTO_THE_PUBLIC.pdf)

**Meeting of Heads of Procurement (selected):**

Finally, in regards to Aid Agencies and IFI’s Procurement policies, it is important to distinguish between:

a) The application of social, economic, environmental etc. objectives to their own procurement processes
b) The development/support of projects that use procurement as a social/economic tool.

In the table below I have included: procurement guidelines, procurement assessments when applicable and also procurement related projects.

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<tr>
<th>DONOR</th>
<th>SOME BASIC REFERENCES</th>
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<tr>
<td></td>
<td>• Policies and Guidelines including sector-specific instructions:</td>
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<td>• Country systems information:</td>
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<td><a href="http://go.worldbank.org/IKNSMV0WF0">http://go.worldbank.org/IKNSMV0WF0</a></td>
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<tr>
<td><strong>Denmark, Sweden or NL</strong></td>
<td>• DANIDA. See Annual Report 2008 with results on procurement policy and tied aid “From Goals to Results in Danish Development Assistance 2008”: <a href="http://amg.um.dk/NR/rdonlyres/1DA3EC95-E388-4F2F-85BA-EC59001C8057/0/Fra_maal_til_resultater_GB_WEB.pdf">http://amg.um.dk/NR/rdonlyres/1DA3EC95-E388-4F2F-85BA-EC59001C8057/0/Fra_maal_til_resultater_GB_WEB.pdf</a></td>
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</table>
| **ADB** | • The ADB Procurement Guidelines of 2004 were subject to revision in 2005 and were re-issued in 2006– the document summarizing the revision can be found here: [http://www.adb.org/Procurement/review-policy.asp](http://www.adb.org/Procurement/review-policy.asp) and the final guidelines here: [http://www.adb.org/Documents/Policies/procurement-guidelines/default.asp](http://www.adb.org/Documents/Policies/procurement-guidelines/default.asp)  
• Procurement modalities enabling “buy local” procedures: [http://www.adb.org/documents/guidelines/procurement/proc_other_forms.asp](http://www.adb.org/documents/guidelines/procurement/proc_other_forms.asp)  
• ADP Procurement Statistics (March 2008 issue) includes local procurement statistics - |

- The Governance Brief. A Quarterly Publication, Governance and Regional Cooperation Division Regional and Sustainable Development Department. Issue 3 (no date). Discusses ADB’s procurement policy including the use of procurement for development purposes.
  http://www.adb.org/documents/periodicals/gb/GovernanceBrief03.pdf

IADB

- IADB Project to enable SME development through procurement in Chile. (Power point presentation by Fredy Betancurt, presented at the V Conferencia Anual de las Compras Gubernamentales en las Américas, México D.F September 2-3 2009.
  http://portal.funcionpublica.gob.mx:8080/wb3/work/sites/SFP/resources/LocalContent/2115/7/panel_3_1_fredy_betancurt.pdf

  http://portal.funcionpublica.gob.mx:8080/wb3/work/sites/SFP/resources/LocalContent/2115/7/panel_3_2_juan_c_lopez.pdf

- Project to support the use of country systems:
  http://www.iadb.org/projects/project.cfm?id=RG-T1746&lang=en

- Enterprise Research Institute for Latin America. From Intervention To Empowerment: A New Approach to Assisting SMEs in Latin America Regulation, Procurement, and Dispute Resolution. (No date) This paper examines procurement as a tool to promote SMEs and whether procurement has any role in Bank programs to encourage SME development.


- IADB General Procurement Policy
<table>
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<tr>
<th>Organization</th>
<th>Key Resources</th>
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• Joint Procurement Policy of DFID and other members of the Nordic Group (September 2009) - [http://amg.um.dk/NR/rdonlyres/33DC103E-DDAC-431E-82F1-E608219BB52C/0/JPPGuideFinal090909.pdf](http://amg.um.dk/NR/rdonlyres/33DC103E-DDAC-431E-82F1-E608219BB52C/0/JPPGuideFinal090909.pdf)  
• UNDP’s Procurement Guides can be found under [http://www.undp.org/procurement/](http://www.undp.org/procurement/) (includes an environmental procurement guide)  
ANNEX: BIBLIOGRAPHY
(LIST IN ALPHABETICAL ORDER)

Note: this does not include Aid Agency or MDB Guideline documents in Part II, Section II.


Ashley, Caroline; Gareth Haysom; Clive Poultney; Douglas McNab and Adrienne Harris. 2005. How to…? Tips and tools for South African tourism companies on local procurement, products and partnerships. Brief 1: Boosting procurement from local businesses. (September). ODI and Business Linkages in Tourism.


http://portal.funcionpublica.gob.mx:8080/wb3/work/sites/SFP/resources/LocalContent/2115/7/panel_3_1_fredy_betancurt.pdf


Steurer, Reinhard, Gerald Berger, Astrid Konrad, and Andre Martinuzzi. 2007. Sustainable Public Procurement in EU Member States: Overview of government initiatives and selected cases. Final Report to the EU High-Level Group on CSR, RIMAS - Research Institute for Managing Sustainability.


Tschirley, D. 2008. Local and regional food aid procurement and the U.S. Farm Bill. Presentation at MSU Brown Bag, June 12, 2008 www.aec.msu.edu/fs2/outreach/LRP-June08BB-MSU.pdf - presentation; includes comparison with African countries


